Consolidated Financial Statements
(Expressed in thousands of dollars)

BRITISH COLUMBIA CANCER AGENCY BRANCH

Year ended March 31, 2013

August 28, 2013

Independent Auditor's Report

To the Board of British Columbia Cancer Agency Branch

We have audited the accompanying financial statements of British Columbia Cancer Agency Branch, which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and April 1, 2011 and the statements of operations and accumulated operating deficit, changes in net financial assets (debt) and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and April 1, 2011, the statements of operations and accumulated operating deficit, changes in net financial assets (debt) and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 19 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Accountants

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Financial Position
(Amounts expressed in thousands of dollars)

March 31, 2013, with comparative figures for March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Financial assets			
Cash and cash equivalents	$ 9,450	$ 3,890	$ 5,157
Portfolio investments (note 2)	1,551	1,533	1,516
Accounts receivable (note 3)	74,412	70,458	63,696
	85,413	75,881	70,369
Liabilities			
Accounts payable and accrued liabilities (note 4)	72,562	66,944	59,936
Deferred research and designated contributions (note 5)	34,865	33,183	34,257
Asset retirement obligations (note 6)	1,264	2,639	969
Debt (note 7)	76,867	76,523	74,445
Retirement allowance (note 8(a))	14,304	13,870	12,931
Deferred capital contributions (note 9)	333,601	322,430	301,148
	533,463	515,589	483,686
Net debt	$ (448,050)	$ (439,708)	$ (413,317)
Non-financial assets			
Tangible capital assets (note 10)	$ 417,384	$ 411,650	$ 391,185
Inventories held for use (note 11)	14,205	11,102	9,140
Prepaid expenses	1,751	1,943	1,605
	433,340	424,695	401,930
Accumulated operating deficit (note 17(c)(iv))	$ (14,710)	$ (15,013)	$ (11,387)

Commitments and contingencies (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Operations and Accumulated Operating Deficit
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	Budget (note 1(n))	2013	2012 (Restated – note 17)
Revenues:			
Provincial Health Services Authority contributions	$ 408,051	$ 415,544	$ 380,419
Medical Services Plan	74,011	78,746	81,188
Research and designated contributions (note 5)	44,932	61,268	61,737
Amortization of deferred capital contributions (note 9)	25,840	26,472	24,070
Other (note 13(a))	11,005	5,775	7,206
Patients, clients and residents (note 13(b))	2,919	3,497	3,200
Other contributions (note 13(c))	15,424	2,936	2,891
Investment income	-	26	45
	582,182	594,264	560,756
Expenses (note 13(d)):			
Acute	528,996	544,620	514,052
Population health & wellness	52,906	49,121	50,108
Corporate	280	220	222
	582,182	593,961	564,382
Annual operating surplus (deficit)	$ -	$ 303	$ (3,626)
Accumulated operating deficit, beginning of year (note 17(c)(iv))	(15,013)	(15,013)	(11,387)
Accumulated operating deficit, end of year	$ (15,013)	$ (14,710)	$ (15,013)

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Changes in Net Debt
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	Budget (note 1(n))	2013	2012
Annual operating surplus (deficit)	$ -	$ 303	$ (3,626)
Acquisition of tangible capital assets	(33,295)	(35,035)	(45,447)
Asset retirement obligations	-	(25)	-
Amortization of tangible capital assets	26,319	29,611	26,811
Loss on disposal of tangible capital assets	-	-	68
Capitalized interest	-	(285)	(1,897)
	(6,976)	(5,431)	(24,091)
Acquisition of inventories held for use	-	(115,923)	(102,267)
Acquisition of prepaid expenses	-	(7,883)	(8,189)
Consumption of inventories held for use	-	112,820	100,305
Use of prepaid expenses	-	8,075	7,851
	-	(2,911)	(2,300)
Increase in net debt	(6,976)	(8,342)	(26,391)
Net debt, beginning of year	(439,708)	(439,708)	(413,317)
Net debt, end of year	$ (446,684)	$ (448,050)	$ (439,708)

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Consolidated Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012 (Restated – note 17)
Cash flows from (used in) operating activities:		
Annual operating surplus (deficit)	$ 303	$ (3,626)
Items not involving cash:		
Amortization of deferred capital contributions	(26,472)	(24,070)
Accretion of asset retirement obligations	73	3
Amortization of tangible capital assets	29,611	26,811
Loss on disposal of tangible capital assets	-	68
Excess of assets over recoverable amount	-	1,667
Reduction of asset retirement obligations	(1,142)	-
Retirement allowance expense	1,516	1,362
Interest expense	5,412	4,363
Interest income	(26)	(45)
Net change in non-cash operating items (note 14(a))	776	(2,757)
Interest received	8	28
Interest paid	(5,736)	(4,645)
Net change in cash from operating activities	4,323	(841)
Capital activities:		
Asset retirement costs paid	(331)	-
Acquisition of tangible capital assets	(34,946)	(45,355)
Net change in cash from capital activities	(35,277)	(45,355)
Financing activities:		
Retirement allowance benefits paid	(1,082)	(423)
Repayment of debt	(47)	-
Capital contributions	37,643	45,352
Net change in cash from financing activities	36,514	44,929
Increase (decrease) in cash and cash equivalents	5,560	(1,267)
Cash and cash equivalents, beginning of year	3,890	5,157
Cash and cash equivalents, end of year	$ 9,450	$ 3,890

Supplementary cash flow information (note 14)

See accompanying notes to consolidated financial statements.

The British Columbia Cancer Agency Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia ("BC"). The Branch is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act*, and as such, is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Mental Health Society (Riverview) Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Emergency and Health Services Commission;

Forensic Psychiatric Services Commission;

Health Shared Services BC; and

Mental Health and Addictions Research Institute.

Effective December 31, 2001, the above-noted branch societies except for the Mental Health and Addictions Research Institute, Health Shared Services BC, and Emergency and Health Services Commission were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

The Branch provides a comprehensive cancer control program to all British Columbians, which includes prevention and early detection, treatment, and related education and research. This program is provided through the specialized facilities of the Vancouver Cancer Centre, the Fraser Valley Cancer Centre, the Vancouver Island Cancer Centre, the Cancer Centre for the Southern Interior, and the Cancer Centre for the North, as well as decentralized programs for patient care. The Branch is also responsible for the operating activities of the British Columbia Cancer Research Centre.

1. Significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board (referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series elections from their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 provided direction for the reporting of restricted contributions whether they are received or receivable by the Branch before or after this regulation was in effect. The accounting treatment of restricted contributions in accordance with Regulation 198/2011 is as described in note 1(i). The impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 is disclosed in note 19.

(b) Basis of consolidation:

The Branch and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.") in accordance with the Share Transfer Agreement whereby 102 (85%) common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 (15%) common shares are held by the Branch. The Branch's interest in ARHCC Inc. is recorded on a proportional consolidation basis in these consolidated financial statements.

The Branch has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Branch and/or provide services under contracts. As the Branch does not control these organizations, the consolidated financial statements do not include the assets, liabilities, and results of operations of these entities (see note 15(a)).

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

1. Significant accounting policies (continued):

(d) Portfolio investments:

Portfolio investments include pooled money market funds and are recorded at cost adjusted for any write-downs. Transaction costs are recorded using the effective interest rate method.

Write-downs of investments are recognized when the loss in value is determined to be other-than-temporary. Write-downs are not reversed in the future if circumstances change.

(e) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the consolidated statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable.

(f) Asset retirement obligations:

The Branch recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Branch reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(g) Employee future benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Plan assets are measured at fair value.

1. Significant accounting policies (continued):

(g) Employee future benefits (continued):

(i) Defined benefit obligations, including multiple employer benefit plans (continued):

The actuarial gains and losses on employee benefits that are not event-driven, such as retirement benefits, are deferred and amortized over the expected average remaining service period of active covered employees. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2012 - 10 years).

Where there are plan assets, the new discount rate is the rate of return on plan assets. If there are no plan assets, the discount rate is the Province's cost of borrowing. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Branch to pay benefits occurs.

(h) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent life.

Land improvements	20 years
Buildings	20 - 50 years
Building service equipment	15 - 20 years
Equipment and information systems	3 - 20 years
Leasehold improvements	Lease term to a maximum of 20 years
Software licenses	3 - 5 years
Vehicles	4 - 7 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Branch's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the consolidated statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at fair value at the date of contribution. Such fair value becomes the cost of the contributed assets.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

Inventories held for use consist of pharmaceutical, medical/surgical, and other materials and supplies.

(i) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Branch is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry.

1. Significant accounting policies (continued):

(i) Revenue recognition (continued):

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues if the amounts are considered to be collectable and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service is performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Under the framework described in note 1(a), externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are considered to be deferred capital contributions and are amortized to revenue at the same rate as the amortization of the associated tangible capital asset. The amortization of the deferred capital contributions is recognized over the period in which the tangible capital asset is providing services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(ii) Contributions externally restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met by the Branch.

Volunteers contribute a significant amount of their time each year to assist the Branch in carrying out its programs and services. Due to the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Contributions for the acquisition of land, or the contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

1. Significant accounting policies (continued):

(j) Measurement uncertainty:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(k) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. The Branch does not have significant transactions denominated in foreign currencies.

(l) Financial instruments:

Financial instrument classification is determined upon inception. Financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at amortized cost less an amount for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

Management evaluates contractual obligations for the existence of embedded derivates and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Branch's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities. Derivatives are initially recorded at fair value on inception. Derivatives are subsequently measured at fair value.

The Branch applied requirements of PS 3450, *Financial Instruments* effective April 1, 2012, in the same period as it adopted PSAS for the first time. Accordingly, PS 3450 was not applied retroactively. Comparative amounts for financial instruments are presented in accordance with the accounting policies applied by the Branch immediately preceding its adoption of PSAS.

(m) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on progress billings verified by an independent certifier, and also includes other costs incurred by the Branch.

The asset cost includes development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid during the construction term. The interest rate used is the project internal rate of return. When available for operations, the project assets are be amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of contributions received, is recorded as a liability and included in debt. The obligation will be met via the monthly scheduled payments over the term of the project agreement.

Upon substantial completion, the private sector partner receives monthly payments to cover the partners' operating costs, financing costs and a return of their capital.

(n) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2012/2013 Budget approved by the Board of Directors on April 26, 2012. The budget is reflected in the statement of operations and accumulated operating deficit and the statement of changes in net debt.

1. Significant accounting policies (continued):

(o) Future accounting standards:

In June 2010, PSAB issued PS 3260, *Liability for Contaminated Sites*. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the standard are as follows:

- A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage;
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

PS 3260 is effective for the Branch's fiscal year ending March 31, 2015. Management is continuously assessing the potential impact of adoption of PS 3260 on the financial statements of the Branch. The magnitude of the impact of PS 3260 on the consolidated financial statements will depend on the existence of contaminated sites as at March 31, 2015, if any.

2. Portfolio investments:

Portfolio investments include pooled money market funds and have maturity of less than one year. Fair value of these investments approximates their carrying amounts.

3. Accounts receivable:

	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Medical Services Plan	$ 26,509	$ 36,807	$ 19,257
Research and designated contributions	20,722	18,937	14,829
Provincial Health Services Authority	8,794	884	10,211
Hospital foundations and auxiliaries	3,071	2,787	2,319
Patients, clients and agencies	1,556	1,122	859
Other health authorities and BC government reporting entities	1,593	2,140	5,860
Federal and provincial sales taxes	1,447	1,739	2,127
Ministry of Health	188	1	-
Other	10,915	6,396	8,547
	74,795	70,813	64,009
Allowance for doubtful accounts	(383)	(355)	(313)
	$ 74,412	$ 70,458	$ 63,696

3. Accounts receivable (continued):

Balances as at March 31, 2012 and April 1, 2011 were recast to separately present accounts receivable with respect to research and designated contributions, previously reported in the balance of deferred research and designated contributions.

4. Accounts payable and accrued liabilities:

	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Trade accounts payable and accrued liabilities	$ 42,980	$ 35,412	$ 36,649
Salaries and benefits payable	17,776	20,442	12,557
Accrued vacation pay	11,806	11,090	10,585
Provincial Health Services Authority	-	-	145
	$ 72,562	$ 66,944	$ 59,936

5. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from Canadian Institute of Health Research ("CIHR"), Canadian Cancer Society Research Institute ("CCSRI"), Genome Canada, Terry Fox Research Institute ("TFRI"), National Institutes of Health ("NIH"), foundations, pharmaceutical companies and other donors for various research projects in the fields of diagnostics, treatment and prevention, clinical trials, health promotion, and other special purpose initiatives.

Government transfers	2013	2012 (Restated – note 17)
Deferred research and designated contributions, beginning of year	$ 1,086	$ 1,092
Contributions received during the year	9,391	9,087
Amounts recognized as revenue in the year	(10,949)	(10,701)
Amounts to be received in future periods	1,624	1,608
Deferred research and designated contributions, end of year	$ 1,152	$ 1,086

5. Deferred research and designated contributions (continued):

Other contributions	2013	2012 (Restated – note 17)
Deferred research and designated contributions, beginning of year	$ 32,097	$ 33,165
Contributions received during the year	40,073	38,777
Amounts recognized as revenue in the year	(50,319)	(51,036)
Amounts to be received in future periods	11,862	11,191
Deferred research and designated contributions, end of year	$ 33,713	$ 32,097

	2013	2012 (Restated – note 17)
Government transfers	$ 1,152	$ 1,086
Other contributions	33,713	32,097
Balance, end of year	$ 34,865	$ 33,183

6. Asset retirement obligations:

	2013	2012
Asset retirement obligations:		
Balance, beginning of year	$ 2,639	$ 969
New obligations	25	1,667
Incurred costs	(331)	-
Reduction in liability	(1,142)	-
Accretion	73	3
Asset retirement obligations, end of year	$ 1,264	$ 2,639

The Branch has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased premises and land at future dates. The settlement of these obligations will occur at the expiry of the leases, or as land reclamation activities occur.

6. Asset retirement obligations (continued):

The value of the obligations is management's best estimate of the obligations, determined by discounting the estimated cash outflows of $1,265 (2012 - $2,866) over the term to expected settlement, at a credit-adjusted risk free rate of 1.24% (2012 – 4.00%). Estimated future cash flows are adjusted for an inflation factor of 2% (2012 – 2%).

The asset retirement obligations have been capitalized as part of related tangible capital assets. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed. The asset retirement obligations capitalized in respect of land are not amortized.

As at March 31, 2012, an estimate of the obligation for reclamation of contaminated land was obtained, which resulted in an increase of the respective asset retirement obligation by $1,667. The corresponding increase in the related asset was concluded not to be recoverable in the future, and the amount was recognized in the statement of operations in the year ended March 31, 2013.

7. Debt:

Debt is measured at amortized cost determined using the effective interest rate method.

	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Public private partnership obligations:			
Abbotsford Regional Hospital and Cancer Centre: 30 year contract with Access Health Abbotsford Ltd., interest at 7.75% per annum (2012 – 7.75%)	$ 60,376	$ 60,270	$ 60,089
Northern Cancer Centre: 30 year contract term with Plenary Health, interest at 8.09% per annum (2012 – 7.89%)	16,491	16,253	14,356
Total debt measured at amortized cost	$ 76,867	$ 76,523	$ 74,445

The Abbotsford Regional Hospital and Cancer Centre ("ARHCC") commenced providing services in August 2008. ARHCC Inc. entered into a multi-year public private partnership contract with the private sector partner Access Health Abbotsford Ltd ("AHA"). Under the agreement, AHA will design, construct, finance, and maintain the Abbotsford Regional Hospital and Cancer Centre facilities until the end of the term of the agreement in May 2038. Payment guarantees have been provided by the Province of British Columbia for the payment obligations to AHA.

7. Debt (continued):

The Branch entered into a multi-year public private partnership contract with the private sector partner Plenary Health Prince George GP ("Plenary Health") on December 18, 2009 to build the BC Cancer Agency Centre for the North ("Cancer Centre") in Prince George, British Columbia. Under the agreement, Plenary Health will design, construct, finance, and maintain the facilities until the end of the term of the agreement in September 2042.

Required principal repayments on debt for the years ending March 31 are as follows:

2014	$	69
2015		144
2016		247
2017		367
2018		495
Thereafter		75,545
	$	76,867

8. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by the collective agreements or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

Sick leave benefits that accumulate but do not vest are included in the sick leave benefits balance.

The Branch's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2013 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2013 are derived. The next required valuation will be as of December 31, 2015.

8. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Accrued benefit obligation:			
Sick leave benefits	$ 1,564	$ 1,449	$ 1,348
Severance benefits	11,323	11,559	11,583
	12,887	13,008	12,931
Balance of unamortized amounts	1,417	862	-
Accrued benefit obligation	$ 14,304	$ 13,870	$ 12,931

The accrued retirement benefit obligation reported on the consolidated statement of financial position is as follows:

	2013	2012 (Restated – note 17)
Accrued benefit obligation:		
Balance, beginning of year	$ 13,870	$ 12,931
Current service cost	1,022	948
Amortization of actuarial gain	(127)	-
Plan amendment	41	-
Interest expense	580	650
Net benefit expense	1,516	1,598
Benefits paid	(1,082)	(423)
Transfer of employees to other health authorities	-	(236)
Accrued benefit obligation, end of year	$ 14,304	$ 13,870

During the years ended March 31, 2013 and 2012 under the Lower Mainland Consolidation and Health Shared Services BC initiatives, there were movements of staff between health authorities, resulting in the transfer of employee liabilities at the date of transfer and the transfer of ongoing expense obligations to the receiving health authorities.

8. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Branch's accrued retirement benefit obligation are as follows:

	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Accrued benefit obligation:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	2.50%	2.50%	2.50%
Benefit costs:			
Discount rate	4.44%	5.01%	6.25%
Rate of compensation increase	2.50%	2.50%	2.50%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims for certain employee groups of the Branch and other provincially-funded organizations.

(i) Long-term disability benefits:

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997. The assets and liabilities for these long-term disability benefits have been segregated for PHSA, but not for individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2012 indicated a surplus of $7,774 (December 31, 2011 – surplus of $5,085). Contributions of $746 (2012 - $1,126) were expensed during the year. The PHSA plan covers approximately 8,552 active employees, of which 1,677 are employees of the Branch. The next required valuation will be as of December 31, 2013.

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of $1,700 (2012 - $2,885) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2012 indicated a surplus of $62,476 (December 31, 2011 - $30,853). The plan covers approximately 90,000 active members, of which 1,974 (2012 – 1,813) are employees of the Branch. The next required valuation will be as of December 31, 2013.

(c) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $10,405 (2012 - $13,672) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The actuarial valuation for the plan as at December 31, 2009 indicated an unfunded liability of $1,024,000. The results of the most recent actuarial valuation for the plan as of December 31, 2012 have not yet been published as of the date of these consolidated financial statements. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 175,000 active members, of which 2,144 are employees of the Branch (2012 – 2,060). The next required valuation will be as at December 31, 2015, with results available in 2016.

9. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2013	2012 (Restated – note 17)
Deferred capital contributions, beginning of year	$ 322,430	$ 301,148
Capital contributions received:		
Provincial Health Services Authority	29,250	36,863
Foundations and auxiliaries	3,648	2,740
Other	4,745	5,752
	37,643	45,355
Amortization for the year	(26,472)	(24,070)
Unamortized deferred capital contribution relating to assets transferred to PHSA	-	(3)
Deferred capital contributions, end of year	$ 333,601	$ 322,430

Deferred capital contributions are comprised of the following:

	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Contributions used to purchase tangible capital assets	$ 330,901	$ 322,430	$ 301,148
Unspent contributions	2,700	-	-
	$ 333,601	$ 322,430	$ 301,148

10. Tangible capital assets:

Cost	March 31, 2012 (Restated – note 17)	Additions	Disposals	Transfers	March 31, 2013
Land	$ 35,843	$ -	$ -	$ -	$ 35,843
Land improvements	256	-	-	-	256
Buildings	306,479	71	-	71,084	377,634
Building service equipment	8,263	-	-	2,123	10,386
Equipment and information systems	205,085	7,294	(2,286)	19,492	229,585
Leasehold improvements	2,992	27	-	-	3,019
Software licenses	465	282	-	-	747
Vehicles	372	-	-	-	372
Equipment and information systems projects in progress	145	37	-	-	182
Construction projects in progress	74,751	27,634	-	(92,699)	9,686
	$ 634,651	$ 35,345	$ (2,286)	$ -	$ 667,710

Accumulated amortization	March 31, 2012 (Restated – note 17)	Amortization	Disposals	March 31, 2013
Land improvements	$ 35	$ 13	$ -	$ 48
Buildings	75,643	8,667	-	84,310
Building service equipment	2,942	695	-	3,637
Equipment and information systems	141,019	19,996	(2,286)	158,729
Leasehold improvements	2,630	172	-	2,802
Software licenses	360	68	-	428
Vehicles	372	-	-	372
	$ 223,001	$ 29,611	$ (2,286)	$ 250,326

10. Tangible capital assets (continued):

Cost	April 1, 2011 (Restated – note 17)	Additions (Restated – note 17)	Disposals	Transfers	March 31, 2012 (Restated – note 17)
Land	$ 35,843	$ -	$ -	$ -	$ 35,843
Land improvements	256	-	-	-	256
Buildings	301,474	77	-	4,928	306,479
Building service equipment	8,212	-	-	51	8,263
Equipment and information systems	197,018	7,914	(7,427)	7,580	205,085
Leasehold improvements	2,990	2	-	-	2,992
Software licenses	402	63	-	-	465
Vehicles	684	-	(312)	-	372
Equipment and information systems projects in progress	1,496	71	-	(1,422)	145
Construction projects in progress	46,684	39,204	-	(11,137)	74,751
	$ 595,059	$ 47,331	$ (7,739)	$ -	$ 634,651

Accumulated amortization	April 1, 2011 (Restated – note 17)	Amortization (Restated – note 17)	Disposals	March 31, 2012 (Restated – note 17)
Land improvements	$ 22	$ 13	$ -	$ 35
Buildings	69,699	5,944	-	75,643
Building service equipment	2,332	610	-	2,942
Equipment and information systems	128,375	20,017	(7,373)	141,019
Leasehold improvements	2,488	142	-	2,630
Software licenses	308	52	-	360
Vehicles	650	33	(311)	372
	$ 203,874	$ 26,811	$ (7,684)	$ 223,001

10. Tangible capital assets (continued):

Net book value	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Land	$ 35,843	$ 35,843	$ 35,843
Land improvements	208	221	234
Buildings	293,324	230,836	231,775
Building service equipment	6,749	5,321	5,880
Equipment and information systems	70,856	64,066	68,643
Leasehold improvements	217	362	502
Software licenses	319	105	94
Vehicles	-	-	34
Equipment and information systems projects in progress	182	145	1,496
Construction projects in progress	9,686	74,751	46,684
	$ 417,384	$ 411,650	$ 391,185

The Branch entered into a multi-year public private partnership contract with the private sector partner Plenary Health on December 18, 2009 to build the Cancer Centre in Prince George, British Columbia. Construction was completed and the Cancer Centre was put into operation in July 2012. During the year, $285 (2012 - $1,897) of interest has been capitalized to construction projects in progress.

Amounts of construction financed by Plenary Health and accrued interest thereon are included in debt on the consolidated statement of financial position (note 7).

Tangible capital assets are funded as follows:

	March 31, 2013	March 31, 2012 (Restated – note 17)	April 1, 2011 (Restated – note 17)
Deferred capital contributions	$ 330,901	$ 322,430	$ 301,148
Internally funded	9,616	12,697	15,592
Debt	76,867	76,523	74,445
Tangible capital assets	$ 417,384	$ 411,650	$ 391,185

11. Inventories held for use:

	2013	2012
Pharmaceuticals	$ 11,846	$ 10,658
Medical supplies	2,359	444
	$ 14,205	$ 11,102

12. Commitments and contingencies:

(a) Construction projects in progress:

As at March 31, 2013, the Branch had no outstanding commitments for construction projects in progress (2012 - $13,712).

(b) Contractual obligations:

The Branch has entered into certain long-term contracts. The information presented below shows the anticipated cash outflow related to future obligations under these contracts for the years ending March 31:

Contract	Contract term	2014	2015	2016	2017	2018	Thereafter
ARHCC service payments	2008-2038	$ 6,231	$ 6,185	$ 6,253	$ 6,630	$ 6,235	$ 112,709
Physician service	2013-2014	11,131	-	-	-	-	-
Housekeeping	2010-2015	1,936	1,981	938	-	-	-
Food	2010-2015	323	332	157	-	-	-
Other	2013-2014	321	-	-	-	-	-
		$ 19,942	$ 8,498	$ 7,348	$ 6,630	$ 6,235	$ 112,709

(c) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2014	$ 1,198
2015	1,127
2016	1,004
2017	581
2018	391
Thereafter	1,468
	$ 5,769

12. Commitments and contingencies (continued):

(d) Litigation and claims:

The nature of the Branch's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2013, management is of the opinion that the Branch has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(e) Service payments:

As disclosed in note 7, the Branch has signed an agreement with Plenary Health to make periodic payments for facility rehabilitation and maintenance services of the BC Cancer Agency Centre for the North commencing in fiscal 2013 until the end of the agreement in fiscal 2043.

The aggregate payments under the agreement are as follows:

2014	$	1,047
2015		1,115
2016		1,265
2017		1,339
2018		1,359
Thereafter		46,110
	$	52,235

13. Statement of operations:

(a) Other revenues:

	2013	2012 (Restated – note 17)
Recoveries from sales of goods and services	$ 3,433	$ 5,185
Recoveries from other health authorities and BC government reporting entities	1,259	844
Parking	873	764
Drug sales	164	191
Other	46	222
	$ 5,775	$ 7,206

(b) Patients, clients and residents revenue:

	2013	2012
Non-residents of BC	$ 2,270	$ 2,095
Workers' Compensation Board	686	-
Federal government	300	382
Residents of BC - self pay	167	493
Non-residents of Canada	74	230
	$ 3,497	$ 3,200

(c) Other contributions:

	2013	2012
Foundations and auxiliaries	$ 1,342	$ 1,565
Other ministries	2	2
Federal government	-	10
Other	1,592	1,314
	$ 2,936	$ 2,891

13. Statement of operations (continued):

(d) The following is a summary of expenses by object:

	2013	2012 (Restated – note 17)
Compensation and benefits	$ 219,235	$ 214,865
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	116,746	110,767
Private contractors	17,818	15,158
	134,564	125,925
Supplies:		
Drugs and medical gases	106,393	96,722
Medical and surgical	3,548	3,030
Diagnostic	5,660	6,022
Printing, stationery and office	920	999
Laundry and linen	189	177
Housekeeping	85	75
Food and dietary	78	85
Other supplies	1,209	2,519
	118,082	109,629
Research and designated expenses	61,471	61,785
Amortization of tangible capital assets (note 10)	29,611	26,811
Equipment and building services:		
Equipment	7,667	6,649
Rent	3,647	3,978
Plant operation (utilities)	1,945	2,905
Building and ground service contracts	687	1,814
	13,946	15,346
Sundry:		
Travel	2,445	2,057
Professional fees	737	861
Communication and data processing	329	334
Other	8,056	2,335
	11,567	5,587
Interest expense	5,412	4,363
Loss on disposal of tangible capital assets	-	68
Accretion of asset retirement obligations (note 6)	73	3
	$ 593,961	$ 564,382

14. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2013	2012 (Restated – note 17)
Accounts receivable	$ (3,954)	$ (6,762)
Accounts payable and accrued liabilities	5,959	7,379
Deferred research and designated contributions	1,682	(1,074)
Inventories held for use	(3,103)	(1,962)
Prepaid expenses	192	(338)
	$ 776	$ (2,757)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from acquisition of tangible capital assets on the statement of cash flows.

	2013	2012 (Restated – note 17)
Additions to asset retirement obligations (note 6)	$ 25	$ -
Tangible capital asset additions funded through Plenary Health (note 10)	285	1,897
Tangible capital assets transferred to PHSA	-	(3)
Tangible capital asset additions at ARHCCI	89	92

15. Related entities:

(a) Foundations and auxiliaries:

The Branch has economic relationships with the BC Cancer Foundation (the "Foundation") which is responsible for fundraising activities of the Branch, the British Columbia Cancer Research Centre facility (the "Research Centre"), and the Genome Sciences Centre. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* and is a registered charity under the provisions of the *Income Tax Act* of Canada.

The net assets and results from operations of the Foundation are not included in the consolidated financial statements of the Branch. At March 31, 2013, the Foundation held net assets of $100,048 (2012 - $74,348) to be used for research, patient care, education, and capital expenditures at the Branch, the Research Centre and the Genome Sciences Centre.

15. Related entities (continued):

(a) Foundations and auxiliaries (continued):

During the year, the Branch received the following contributions from the Foundation:

	2013	2012
Operations	$ 3,384	$ 258
Research	1,592	5,023
Other designated purposes	10,694	8,797
Capital	3,976	7,718
	$ 19,646	$ 21,796

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the consolidated financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2013, expenses include $5,919 (2012 - $5,772) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these consolidated financial statements.

16. Risk management:

The Branch is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Branch's financial instruments is provided below by type of risk.

Risk management and insurance services for all Health Authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

(i) Credit risk

Credit risk primarily arises from the Branch's cash and cash equivalents and accounts receivable. The risk exposure is limited to their amounts at the date of the consolidated statement of financial position.

The Branch manages credit risk by holding balances of cash and cash equivalents with reputable top-rated financial institution. The Branch periodically reviews its investments and is satisfied with the credit ratings of the financial institutions.

16. Risk management (continued):

(i) Credit risk (continued):

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other Health Authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Branch periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts. As at March 31, 2013, the amount of allowance for doubtful accounts was $383 (2012 - $355), as these accounts receivable are deemed by management not to be collectable.

The Branch is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other Health Authorities and BC government reporting entities. At March 31, 2013, the following accounts receivable were past due but not impaired:

30 days	$	682
60 days		303
90 days		43
Over 120 days		268

(ii) Liquidity risk:

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they become due.

The Branch receives its principal source of capital through funding received from the Ministry. The Branch defines capital to be accumulated operating deficit, debt and deferred capital contributions.

The Branch's objective when managing capital is to fund its operations and tangible capital asset additions, and to conduct research in the field of health care. The Branch manages the capital structure in conjunction with the Ministry and makes adjustments based on available government funding and economic conditions. Currently, the Branch's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry.

The Branch is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Branch has complied with the external restrictions on the funding provided.

16. Risk management (continued):

(ii) Liquidity risk (continued):

The tables below show when various financial assets and liabilities mature.

Financial assets	On demand	Up to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 9,450	$ -	$ -	$ -	$ -	$ 9,450
Portfolio investments	1,551	-	-	-	-	1,551
Accounts receivable	71,969	1,211	190	16	1,026	74,412
Total financial assets	$ 82,970	$ 1,211	$ 190	$ 16	$ 1,026	$ 85,413

Financial liabilities	On demand	Up to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 66,469	$ 6,093	$ -	$ -	$ -	$ 72,562
Debt	-	-	69	1,253	75,545	76,867
Total financial liabilities	$ 66,469	$ 6,093	$ 69	$ 1,253	$ 75,545	$ 149,429

17. Adoption of new financial reporting framework:

Effective April 1, 2012, the Branch adopted the framework described in note 1(a). These consolidated financial statements are the first financial statements for which the Branch has applied the framework. Previously, the Branch's financial statements were prepared in accordance with Part V of Canadian generally accepted accounting principles ("Part V Canadian GAAP").

The accounting policies disclosed in note 1 of the consolidated financial statements have been applied consistently in preparing the financial statements as at and for the year ended March 31, 2013, the comparative information as at and for the year ended March 31, 2012 and in the preparation of an opening statement of financial position as at April 1, 2011, the Branch's transition date, with the exception of exemptions on the first time adoption of PSAS described below and the adoption of PS 3450, *Financial Instruments*. According to the transitional provisions of PS 3450 for the first time adopters of PSAS, requirements of PS 3450 were applied as at April 1, 2012 prospectively, without restatement of comparative periods.

17. Adoption of new financial reporting framework (continued):

(a) Transition date exemptions

The impact of the adoption of the framework on accumulated operating deficit at the date of transition and comparative balances is presented below. These accounting changes have been applied retroactively with restatement of prior periods, except for the following exemptions from retroactive application on the first time adoption.

Optional exemptions:

PS 2125, *First Time Adoption by Government Organizations* allows first time adopters certain optional exemptions from full retrospective application of PSAS. Application of certain first time adoption exemptions was directed by the Treasury Board and the OCG (note 1(a)). The Branch applied the following exemptions as at April 1, 2011, its date of transition to the framework:

(i) Retirement and post-employment benefits – change in discount rate applied:

The Branch has elected not to use the exemption and applied the requirements of PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits* with respect to the discount rate used to calculate the accrued obligations as at April 1, 2011.

(ii) Retirement and post-employment benefits – cumulative unamortized gains and losses on transition:

The Branch has elected to recognize all cumulative actuarial gains and losses at the date of transition directly to accumulated operating deficit. This election has been applied to all plans.

(iii) Business combinations:

The Branch has elected to apply the election under PS 2125. Therefore, the Branch has not restated any business combinations before the transition date to be in compliance with section PS 2510, *Business Combinations*.

(iv) Tangible capital asset impairment:

The Branch has elected to apply the exemption under PS 2125, which exempts the Branch from retroactively reviewing for write-downs of tangible capital assets prior to the date of transition.

Mandatory exemptions:

The Branch has not revised estimates previously made under Part V Canadian GAAP, except for adjustments required to reflect any difference in accounting policies or calculations. Hindsight is not used to create or revise estimates.

17. Adoption of new financial reporting framework (continued):

(b) Transitional adjustments to new accounting framework:

Key adjustments to the Branch's financial statements resulting from the adoption of the framework are as follows:

(i) Retirement and post-employment benefits – accrual of non-vesting sick leave benefits:

Previously, the Branch was not required to record an accrued benefit obligation related to sick leave benefits when such benefits do not vest. The framework requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Branch in return for the benefits. An adjustment was made to recognize a liability related to accumulated sick leave entitlement.

(ii) Retirement and post-employment benefits – amortization of actuarial gains and losses:

Under Part V Canadian GAAP, the Branch used the "corridor" method of amortization of actuarial gains and losses, under which such gains or losses in excess of 10% of the greater of net plan assets or liabilities at the beginning of the period were deferred and amortized over the expected average remaining service lifetime of active employees.

Under PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits*, the Branch defers and amortizes any amount of actuarial gains and losses on retirement benefit plans, as such benefits are not event-driven.

(iii) Deferred research and designated contributions:

Certain balances previously reported in the deferred research and designated contributions did not meet the definition of a liability under PS 3200, *Liabilities*. Amounts were restated to recognize revenue in periods in which revenue recognition criteria were met.

(iv) Consolidation of ARHCC Inc.:

Under Part V Canadian GAAP, the Branch recorded the investment in ARHCC Inc. at one dollar per share, the cost at which these shares were acquired. Under the new financial reporting framework, ARHCC Inc. is proportionally consolidated in the consolidated financial statements of the Branch.

17. Adoption of new financial reporting framework (continued):

(c) Reconciliation of consolidated statements of financial position, operations and cash flows, and accumulated operating deficit as previously reported under Part V Canadian GAAP to new financial reporting framework

Key adjustments to the Branch's consolidated financial statements resulting from the adoption of the framework are as follows:

(i) Consolidated statements of financial position:

March 31, 2012	Note	Part V Canadian GAAP, as previously reported	Prior year adjustment	Transition adjustment	New accounting framework
Financial assets					
Cash and cash equivalents	(b)(iv)	$ 3,242	$ 836	$ (188)	$ 3,890
Portfolio investments	(b)(iv)	-	1,516	17	1,533
Accounts receivable	(b)(iv)	68,719	2,351	(612)	70,458
Liabilities					
Accounts payable and accrued liabilities	(b)(iv)	66,560	463	(79)	66,944
Deferred research and designated contributions	(b)(iii)	33,480	(343)	46	33,183
Debt	(b)(iv)	29,521	50,231	(3,229)	76,523
Retirement allowance	(a)(i)-(ii) (b)(i)-(ii)	18,486	(4,322)	(294)	13,870
Deferred capital contributions	(b)(iv)	311,288	11,724	(582)	322,430
Non-financial assets					
Tangible capital assets	(b)(iv)	356,655	58,103	(3,108)	411,650

17. Adoption of new financial reporting framework (continued):

(i) Consolidated statements of financial position (continued):

April 1, 2011	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework
Financial assets				
Cash and cash equivalents	(b)(iv)	$ 4,321	$ 836	$ 5,157
Portfolio investments	(b)(iv)	-	1,516	1,516
Accounts receivable	(b)(iv)	61,345	2,351	63,696
Liabilities				
Accounts payable and accrued liabilities	(b)(iv)	59,473	463	59,936
Deferred research and designated contributions	(b)(iii)	34,600	(343)	34,257
Debt	(b)(iv)	24,214	50,231	74,445
Retirement allowance	(a)(i)-(ii) (b)(i)	17,253	(4,322)	12,931
Deferred capital contributions	(b)(iv)	289,424	11,724	301,148
Non-financial assets				
Tangible capital assets	(b)(iv)	333,082	58,103	391,185

(ii) Consolidated statement of operations:

2012 Revenues	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework
Research and designated contributions	(b)(iii)	61,785	(48)	61,737
Amortization of deferred capital contributions	(b)(iv)	23,488	582	24,070
Other	(b)(iv)	7,362	(156)	7,206
Investment income	(b)(iv)	-	45	45

17. Adoption of new financial reporting framework (continued):

(ii) Consolidated statement of operations (continued):

The framework requires presentation of expenses by functions. Accordingly, the Branch presents expenses by sectors of health care. The following is a reconciliation of previously reported expenses to presentation of expenses by functions.

2012 Expenses	Part V Canadian GAAP, as previously reported	Transition adjustment	Note	Acute	Population health & wellness	Corporate	Total (restated)
Compensation and benefits	$ 215,099	$ (234)	(a)(i), (b)(i)-(ii),(iv)	$ 195,738	$ 19,127	$ -	$ 214,865
Referred-out and contracted services	124,811	1,114	(b)(iv)	109,311	16,392	222	125,925
Supplies	109,629	-		108,127	1,502	-	109,629
Research and designated expenses	61,785	-		53,396	8,389	-	61,785
Amortization of tangible capital assets	23,679	3,132	(b)(iv)	25,311	1,500	-	26,811
Equipment and building services	18,730	(3,384)	(b)(iv)	14,357	989	-	15,346
Sundry	5,577	10	(b)(iv)	3,378	2,209	-	5,587
Interest expense	4,826	(463)	(b)(iv)	4,363	-	-	4,363
Loss on disposal of tangible capital assets	68	-		68	-	-	68
Accretion of asset retirement obligations	3	-		3	-	-	3
	$ 564,207	$ 175		$ 514,052	$ 50,108	$ 222	$ 564,382

17. Adoption of new financial reporting framework (continued):

(iii) Consolidated statement of cash flows:

2012	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework
Annual operating deficit	(a)(i), (b)(i)-(ii),(iv)	$ (3,874)	$ 248	$ (3,626)
Amortization of deferred capital contributions	(b)(iv)	(23,488)	(582)	(24,070)
Amortization of tangible capital assets	(b)(iv)	23,679	3,132	26,811
Retirement allowance expense	(a)(i) (b)(i)-(ii)	1,656	(294)	1,362
Interest income	(b)(iv)	-	(45)	(45)
Interest expense	(b)(iv)	4,826	(463)	4,363
Net change in non-cash operating items	(b)(iv)	(545)	(2,212)	(2,757)
Interest received	(b)(iv)	-	28	28
Decrease in cash and cash equivalents	(b)(iv)	(1,079)	(188)	(1,267)

Interest income and interest expense are now separately presented as part of cash flows from operations. The framework requires separate presentation of cash flows from transactions with tangible capital assets, which were previously presented as part of investing activities.

(iv) Accumulated operating deficit

	Note	March 31, 2012	April 1, 2011
Accumulated operating deficit, as previously reported		$ (20,313)	$ (16,439)
Effect of recognition of the unamortized actuarial gains / losses in accumulated deficit, change in discount rate, change in method of amortization of actuarial gains / losses on retirement benefits and non-vested sick leave accrual	(a)(i)-(ii) (b)(i)-(ii)	4,616	4,322
Effect of release of deferred research and designated contributions that do not meet the definition of a liability	(b)(iii)	297	343
Effect of proportionate consolidation of ARHCCI	(b)(iv)	387	387
Accumulated operating deficit, as restated		$ (15,013)	$ (11,387)

18. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

19. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Restricted Contributions Regulation 198/2011 requires the Branch to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Branch is as follows:

As at April 1, 2011	
Decrease in accumulated operating deficit	$ 301,148
Decrease in deferred capital contributions	(301,148)
For the year ended March 31, 2012	
Decrease in operating deficit	21,282
As at March 31, 2012	
Decrease in accumulated operating deficit	322,430
Decrease in deferred capital contributions	(322,430)
For the year ended March 31, 2013	
Increase in operating surplus	8,471
As at March 31, 2013	
Decrease in accumulated operating deficit	330,901
Decrease in deferred capital contributions	(330,901)